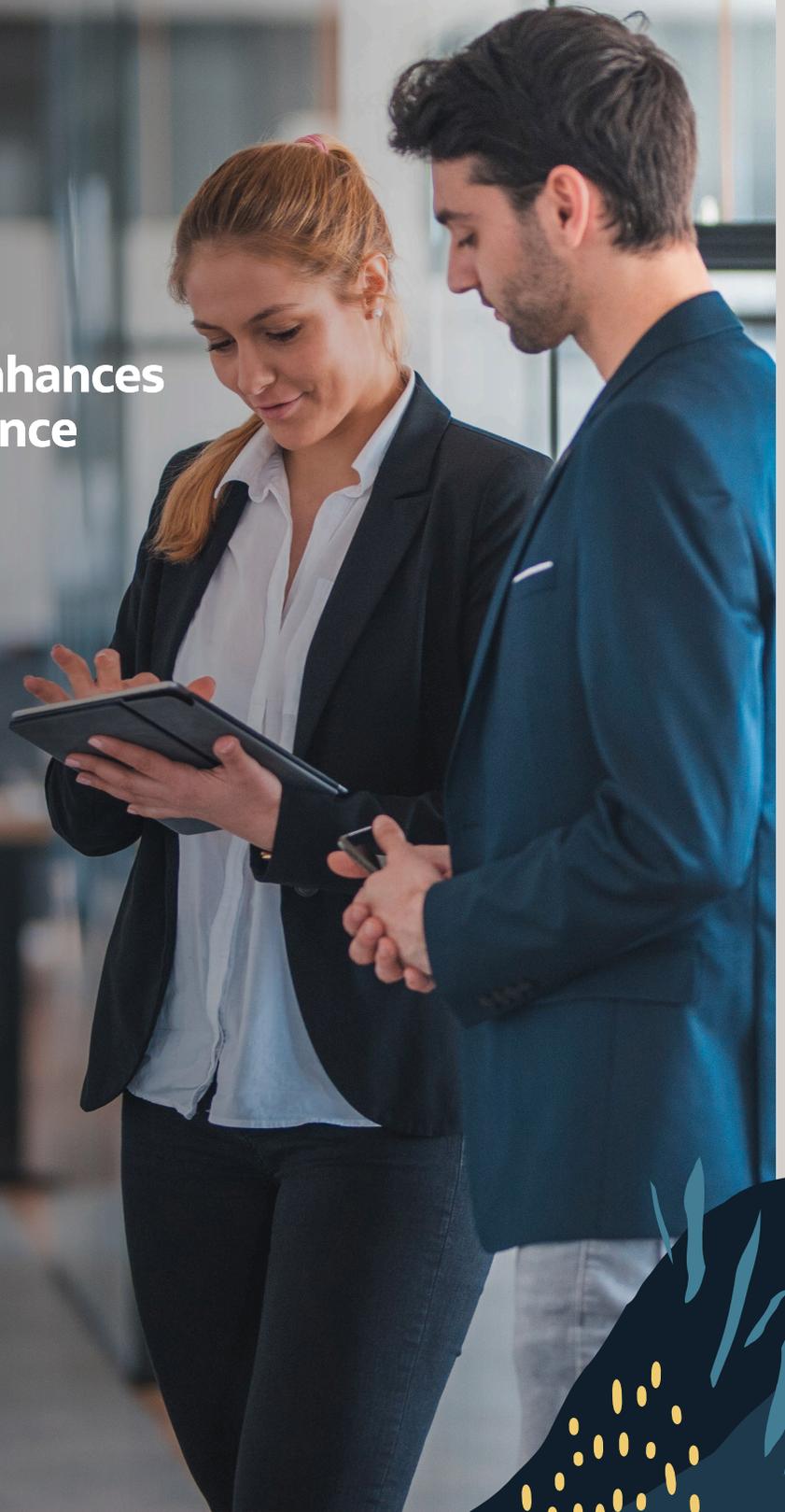ORACLE
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**BUSINESS GUIDE**

# Efficient Procurement Enhances Organizational Performance

Control Spend and Automate Purchase
Processes With NetSuite Procurement

# Efficient Procurement Enhances Organizational Performance

## Control Spend and Automate Purchase Processes With NetSuite Procurement

Procurement management is an essential part of the supply chain, ensuring goods and services are available when and where it is needed to meet customer demand. Procurement processes are integral to virtually every business. Whether for sourcing raw materials, machinery, technology consulting services, or employee training, companies rely on goods and services from external suppliers to grow and meet their strategic objectives.

Effective procurement management helps organizations control costs and successfully complete projects, which in turn leads to a more productive and profitable operation.

The process of acquiring goods and services can be complex and involve multiple stakeholders. Procurement teams must carefully balance the needs of the departments they serve with budget limitations. They must also manage external vendor relationships and ensure contracts are in compliance with terms and regulations. Unfortunately, companies often lack effective tools for managing the procurement process, this approach is not only inefficient, it makes it impossible to get a clear picture of vendor performance.

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# Common Procurement Challenges

Purchasing can be a time-consuming and inefficient ordeal, especially when requests for goods and services must be processed manually using a combination of phone calls, emails, paper catalogs, and faxes. Businesses relying on manual processes for purchases are at a distinct disadvantage.

1. Poor Vendor Communication. When communication for projects is conveyed via email and phone conversations, it can be difficult to keep details straight and lots of time is wasted looking for the proper communication.

2. Vendor Compliance. Ensuring vendors understand and are in compliance with regulations and corporate standards can be a headache if you're managing this manually.

3. Unnecessary Spending. Without proper approval processes to ensure requests are approved, requests risk being processed into an order and sent to the supplier without proper approval and budget allocated.

4. Inaccurate Data Capture. If you're relying on manual processes upon receipt, you have no way to ensure all relevant data is entered as the item is received and has arrived as anticipated within spec.

5. Manual Processes. Processing each order manually is time consuming and prone to errors, which delays delivery and decreases productivity.

6. Poor Supplier Performance. Without a process in place to record and monitor supplier performance, purchasing managers have no insight into how suppliers are performing and may unknowingly continue to use suppliers who are consistently delivering products below standards or out of budget.
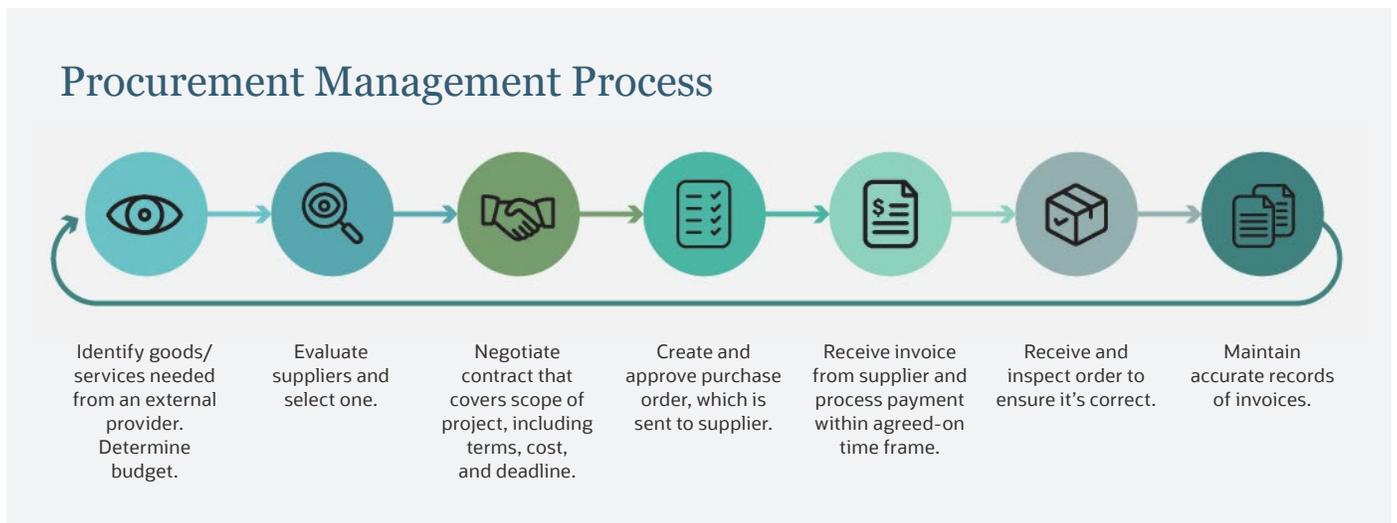
# Improving Procurement Processes With NetSuite

Procurement management helps organizations reduce their costs, boost productivity, and provide transparency from the initial purchase request through payment. Procurement managers often turn to technology to automate manual steps in the procurement process.

Standardizing processes reduces the risk of error and the possibility of missed deadlines, leading to a better customer experience. It also facilitates strong vendor relationships, simplifies contract negotiations, and helps to ensure all parties comply with contract terms and regulatory requirements.

NetSuite Procurement helps companies buy goods and services at the best cost and in a timely manner by saving employees' valuable time with easy-to-use capabilities, reducing costs by channeling purchases to approved suppliers and pre-negotiated contracts, and improving visibility by rendering real-time information into company spend and vendor performance.

By centrally managing vendors and the procurement process, businesses have clear communication throughout the procure-to-pay process.

- Vendor Management. Centrally manage all aspects of your vendor relations. NetSuite Vendor Management simplifies supplier communication and vendor performance.

- Source Management. Sourcing management equips you with the tools to select the right vendor to supply the quality of goods you expect at the price you need to maximize profit.

- Purchase Management. Tracking purchases is an important step in maintaining inventory. Knowing what is on order, quantity ordered, and when it will be received, inventory levels are more easily optimized.

- Payment Management. Effectively manage the vendor payments by automating the receipt of ordered items, processing vendor bills, and planning payments in a timely manner.

## Procurement Management Process



| Identify goods/ services needed from an external provider. Determine budget. | Evaluate suppliers and select one. | Negotiate contract that covers scope of project, including terms, cost, and deadline. | Create and approve purchase order, which is sent to supplier. | Receive invoice from supplier and process payment within agreed-on time frame. | Receive and inspect order to ensure it's correct. | Maintain accurate records of invoices. |

# Vendor Management

Vendor management allows businesses to centrally manage all aspects of your vendor relations. NetSuite vendor management simplifies supplier communication and vendor performance.

NetSuite vendor management extends NetSuite CRM functionality to centrally manage all aspects of your vendor relations, from contact information and purchasing terms to open POs and invoices.

NetSuite vendor management simplifies communication with suppliers and empowers closer relationships. Providing vendors access to an online portal to review order information and stay connected is a great way to increase efficiencies and reduce back and forth via email.

### Vendor Record

The vendor record manages all aspects of the vendor relationship in a central location, including contact information and vendor contracts, items and pricing, financial data and purchasing transactions, outstanding bills, payments, credits, and returns, as well as files and attachments. With all information stored in one place, managing vendor relationships is easy, with built-in reports, purchasing managers can easily see a full picture of a business's vendors, how much is owed to them, what bills need to be paid, and what purchase orders are outstanding and completed.

### Vendor Portal

From ideation of a new project to approval often requires significant back and forth as vendors submit ideas and iterations. Doing this through email can quickly become disorganized and require additional steps to extract this information from the purchasing manager's email and upload it and attach it to the vendor record. NetSuite's vendor portal allows you and your supplier to collaborate on existing and new projects. This not only eliminates the email back and forth but also keeps all communications, documents, and proposals in one place and related to the vendor record.

### Vendor Scorecard

Understanding how vendors are performing is critical to the success of your supply chain. Keeping track of items and their pricing, as well as lead times, on time deliveries, defects, and shortages is important in understanding the overall health of your supplier relationships. Keeping vendors accountable for the products they supply and their quality is easy with the vendor scorecard. Every transaction is tracked, analyzed, and included in a vendor scorecard. This allows users to easily monitor vendor key performance indicators and provide feedback for continuous improvement.

### Multi-Subsidiary Vendor

If you use the same vendor across multiple subsidiaries, you have the ability to assign a primary subsidiary and an unlimited number of secondary subsidiaries to a vendor record. When viewing a shared vendor record, the vendor's total outstanding balance and total unbilled balance (sum of all the assigned subsidiaries' balances) is available in the primary subsidiary's currency. NetSuite keeps a running balance for each vendor based on bills entered and payments made.

# Source Management

Source management equips employees with the tools to select vendors able to supply the quality of goods you expect at the price you need to maximize profits.

NetSuite sourcing management oversees the process of selecting the right vendor to supply the quality of goods you expect at the price you need to maximize profit.

Sourcing management simplifies the sourcing process ensuring all vendors receive the same information to submit their quote. Once selected, sourcing management centrally manages all communication with the vendor, ensuring clear communication and avoiding costly mistakes.

### Request for Quote (RFQ)
Gathering quotes for new items or updating pricing on existing quotes can be time consuming and complicated. NetSuite's RFQ feature allows users to easily manage everything from one screen. This includes gathering requirements, selecting vendors, communicating specifications, receiving bids, and updating pricing. Once the vendor is selected, all information is automatically updated in the vendor and item records. Users can also create purchasing contracts and workflows can be utilized where approvals are required.

### Purchase Contracts
The purchase contracts feature enables purchasing managers and buyers to use contracted terms, pricing, and delivery schedules when purchasing materials for a company. NetSuite allows users to do this using our purchasing contracts feature. Contracts can be established manually or automatically from the RFQ process and can also be created for future dates with automatic activation. Minimum and maximum spend can be defined, and NetSuite also keeps track of the total amounts purchased, billed, and received.

### Blanket Purchase Orders (POs)
Improve buyer efficiency and accuracy and potentially reduce procurement spending by using blanket purchase orders. Blanket POs define a pre-determined price for a set quantity of items you will buy from a vendor during a time period. When orders originate from the blanket purchase order, any delivery schedule released by the buyer that falls within the effectivity dates of the blanket purchase order uses the contracted pricing and terms. The purchase orders associated with the scheduled deliveries can be released at the time the blanket purchase order is created or later, as needed. Future orders can be released either manually as determined by buyers or automatically based on item lead times.

# Purchase Management

Purchase management allows businesses to track purchases, which is an important step in maintaining inventory. Knowing what's on order, in what quantities, and when goods will be received makes it easier to optimize inventory levels.

NetSuite purchasing management is designed to help businesses manage and automate cross-functional tasks, making the process of placing, managing, and expediting purchase orders simple.

Tracking purchases is an important step in maintaining inventory. Knowing what is on order, quantity ordered, and when it will be received, inventory levels are more easily optimized. Vendors can access their account through the vendor portal, allowing them to access all purchase orders placed for them.

## Purchase Requisition
Automate the requisitioning process to ensure compliance, quality, and cost. A purchase request is a transaction that records a purchase that needs to be made. The request details the item needed and the anticipated price of the item. Employees can enter requests to purchase items, materials, or services from vendors. Purchase requests may require approval before they can be processed into purchase orders. Once approved, the request must be converted into a purchase order.

## Purchase Order Management
The NetSuite order items screen is the main place a user goes to monitor the list of items to be replenished, whether they are generated from the supply planning process, blanket POs, or re-order point parameters. NetSuite allows you to order a mix of inventory, expense, and service items on the same order. If there is a purchasing contract in place, the appropriate pricing will be applied automatically. Reminders can be customized to let you know when orders are expected to be received. Simple lists in NetSuite help to automate and expedite the purchase order management process.

## Approvals
Approval routing defines who can approve employee purchase requests and limits approval amounts by authorizer level and department. Approvers are notified when they have a request to approve, additionally backup approvers can be assigned, eliminating bottlenecks and streamlining the purchase process. Approval process can be set up based on a dollar amount assigned to the employee or more advanced workflows can be created to consider aspects such as department budgets, location, item type, or project.

# Payment Management

Payment management enables businesses to effectively manage vendor payments by automating receipt of ordered items, processing bills, and planning payments in a timely manner.

NetSuite payment management helps effectively manage the vendor relationship by automating the receipt of ordered items, processing vendor bills, and planning payments in a timely manner.

Once the purchase order, receipt, and bill have been entered into the system, the system matches these documents to ensure the data matches. Once approved, the accounts payable department can determine which bills to pay, and in which timeframe, to optimize cashflow.

### Item Receipt

NetSuite receiving processes have the ability to receive items from vendors, partners, customers (returns) as well as other subsidiaries and locations using the same transaction flow. Receiving process can be performed directly from the receiving dock with barcode scanners, this speeds up receiving and ensures relevant information is entered, such as lot and serial number, as well as bin number which allows for more advanced inventory management. As items are received into inventory, NetSuite automatically evaluates the next steps for that inventory, such as pending work order builds or outstanding customer orders and initiates the appropriate workflows.

### Vendor Bills

Billing a purchase order indicates you have received an invoice from the vendor for items purchased and creates a bill in accounts payable. You can turn your purchase order into a bill without rekeying any data. Receiving and entering invoices from suppliers is the first step in the process of completing the procure-to-pay cycle. When a vendor is submitting an invoice against a purchase order, NetSuite lets users select the order it was based upon and pre-populates all of the relevant information for verification. Vendor bills can also be manually entered, imported from a CSV file, or automatically imported through web services in cases where tighter integration is desired.

### Three-Way Match and Pay

Incoming vendor invoices are automatically matched against their corresponding PO and goods receipt based on predefined rules and tolerances. Any invoices that are matched within these approved tolerances are sent directly for payment. Users control what happens to invoices that don't match with an automated, predefined approval workflow for approval. The exceptions workflow sends all of the relevant documentation (invoice, PO, goods receipt, and team notes) to the proper approver. Approvers can review the information and approve with one click on a mobile device or via email.

# Efficient Procurement Enhances Organizational Performance



Procurement is an important step in an efficiently run organization because it helps a company find reliable suppliers that can provide competitively priced goods and services that match the company's needs. That's the case whether the company is seeking raw materials for manufacturing, a marketing services provider, or new office supplies.

NetSuite procurement capabilities automate communication with suppliers and ensure accuracy throughout the procurement life cycle.

Managing complex procurement processes and supply chains requires complete control over your business data. NetSuite procurement management records and updates your production data, financial reports, inventory, and outstanding orders in real time, so that critical supply chain management systems will be up to date and operating on the same information. This helps companies control costs associated with planning and executing supply chain processes. Supply planning features analyze demand, determine replenishment needs, and create orders as needed.

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